

EDMONDS SCHOOL DISTRICT No. 15
Snohomish County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Findings

1. District Officials Should Improve Controls Over Maintenance Materials And Supplies Inventory

Our audit reports for 1990 through 1994 contained findings relating to weaknesses in the district's maintenance materials and supplies inventory system. While some of these issues have been corrected by district management, the following weaknesses remain:

- a. Inventory records are not accurate. Our tests of 631 units of inventory valued at \$12,667, per the district's inventory system, disclosed that there were actually 327 units valued at \$7,909.
- b. Separate data input forms are used for charging issues of inventory to maintenance shop budgets and to the buildings receiving the items. Issues of inventory are not reconciled to use.
- c. The reported inventory appears to include significant amounts of obsolete materials. As a result, inventory may be overstated and expenditures understated.

At present, controls over maintenance materials and supplies are inadequate and increase the risk of errors or irregularities.

We recommend district officials:

- a. Improve the accuracy of the maintenance materials and supplies inventory.
- b. Consider using the same data input document for both inventory control and charging the use of inventory to building maintenance accounts, and reconcile the issues of inventory to its use.
- c. Write off obsolete inventory balances.

2. District Officials Should Limit Expenditures To Appropriations

Our analysis of the draft financial statements disclosed that district officials did not accrue \$304,611 in payroll liabilities and misclassified \$128,244 of expenditures as prepaid expenditures. This had the effect of understating expenditures by \$432,855 and resulted in draft financial statements indicating that the district had complied with its budget. The amounts were not reported as expenditures so that the district would not have to amend its budget.

District officials corrected the audited financial statements. These statements disclose that officials incurred expenditures of \$369,242 in excess of the amounts appropriated for the General Fund.

RCW 28A.505.150 states in part:

Total budgeted expenditures for each fund as adopted in the budget of a school district shall constitute the appropriations of the district for the ensuing fiscal year and the board of directors shall be limited in the incurring of expenditures to the grand total of such appropriations. The board of directors shall incur no expenditures for any purpose in excess of the appropriation for each fund.

We recommend district officials limit expenditures to the legally adopted budget, or amend the budget in accordance with state law.